The Real Estate ANALYST

THE SUN DOES NOT RISE IN THE WEST

A gentleman not in the real estate business met the editor of the Real Estate Analyst on the street the other day with the joking remark, "I have been straining my eyes for some time but can't yet see the pickup in real estate you told me was inevitable."

We wonder if our friend had been looking in the right direction. He who is watching for the sunrise by searching the horizon behind which he saw the sun disappear is doomed to disappointment, though he strengthen his vision with the world's strongest telescope. If our friend had turned around and faced the east, he would have seen that the first streaks of dawn were already disappearing in the brighter light of the early morning.

But let us not evade the issue with figures of speech. How far has the recovery of real estate progressed?

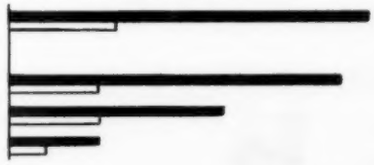
VACANCY

One of the most important of all factors affecting the value of any commodity is the relative supply of and demand for it. An oversupply of any item depresses its price. A shortage raises it. An oversupply of real estate is apparent to the casual observer when vacancies are numerous. The oversupply of all types of space was excessive in March, 1933.

The chart on page 401 in this issue shows all types of residential vacancies in 76 cities from 1930. Unfortunately, enough data are not available at the present time to carry this chart further than the middle of last year. Its trends, however, are almost identical with the trends in those cities where detailed figures are available by months down to the present. Apartment vacancies in Omaha were charted in the Real Estate Analyst for April by months from 1925. That chart showed that vacancy there today is less than one-fifth of what it was in the spring of 1933.

Real Estate Analysts, Inc., has made a monthly vacancy survey in St. Louis for the past year and a half. This survey classifies each type of residential vacancy separately. It is comparable with the annual surveys previously made. The table and charts below show this comparison by types of dwellings in November, 1932 with May, 1935. November was not the peak month in vacancy, but we do not have figures for March, 1933.

Type of Unit	Nov.,1932	May,1935
Apartments (heat furnished)	20.5%	6.0%
3 or more family (exclusive of above)	18.9	5.0
2 family	12.1	5.0
1 family	5.0	2.0



RENTS A year ago average rents of residential properties were at or near the bottom in most metropolitan cities. Our index for a year ago, based on twenty-five metropolitan areas, in comparison with today's figures, is shown below (1926 = 100).

	April,1934	April,1935	Gain
Single family	63.0	70.6	12.1%
Apartment (heated)	50.4	54.0	7.9%

Practically all of this gain has been made in the last few months. Rents will be materially higher a year from now. As vacancies decrease and rents go up, the incomes on investment properties increase rapidly due to the reduction in the amount of idle space and to the higher rate per square foot of the space actually rented.

SALES In May, 1933 our index of voluntary transfers of real estate in 175 cities (shown on the back page of this report) was fifty-three per cent below the normal computed for a long period of years. At the present time real estate sales are approximately forty per cent below. This represents a gain in activity in the two years time of approximately 37 per cent. During the next few years real estate activity will increase quite rapidly.

NEW BUILDING There are many confusing figures being published on the present volume of new building in comparison with the depression lows. Most of these figures are based on dollar volume. When construction costs increase as they have during the past two years, dollar volume increases although there is no actual increase in the physical volume of construction. Another confusing factor in many of these figures is that of types of construction included--highway, bridge, public utility, industrial, commercial and residential.

In order to avoid as much as possible these many confusing factors, Real Estate Analysts, Inc., a number of years ago standardized on a construction index based on the number of new family accommodations provided for by all new building permits. In this index a single family dwelling counts one; a four family building, four; a government housing development for 250 families, 250; etc. This index for all principal cities of the United States averaged ninety-three per cent below normal during 1933. It is still at approximately the same level two years later. (See the chart on the back page of this report.) This is in accordance with the forecasts printed from time to time in the Real Estate Analyst. New building will not start in any volume until rents and values rise to a point where a new building can apparently be built at a cost only slightly greater than the price at which a comparable one already built can be bought.

The lag in new building is not a sign of lagging recovery. The less building done during the next few years, the more drastic the housing shortage will become and the higher rentals and values will go. Were we now in the midst of a building boom of sizable proportions, rents and values could be expected to rise but slightly in the period of the next few years.

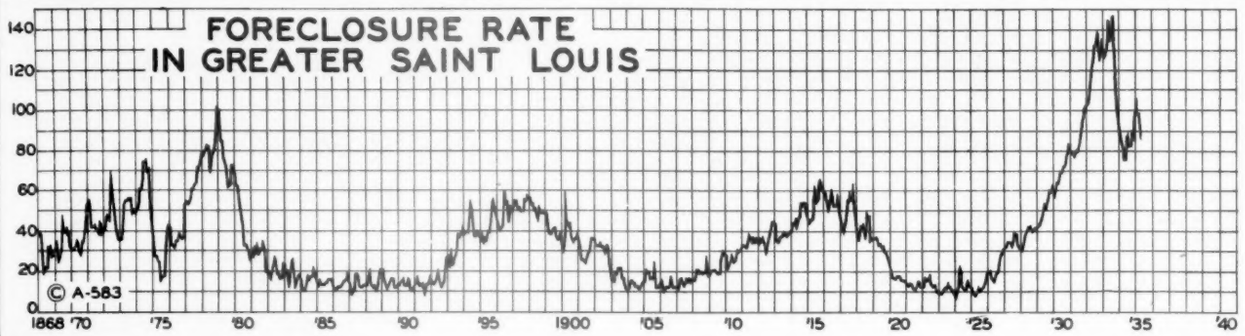
Continued on page 403

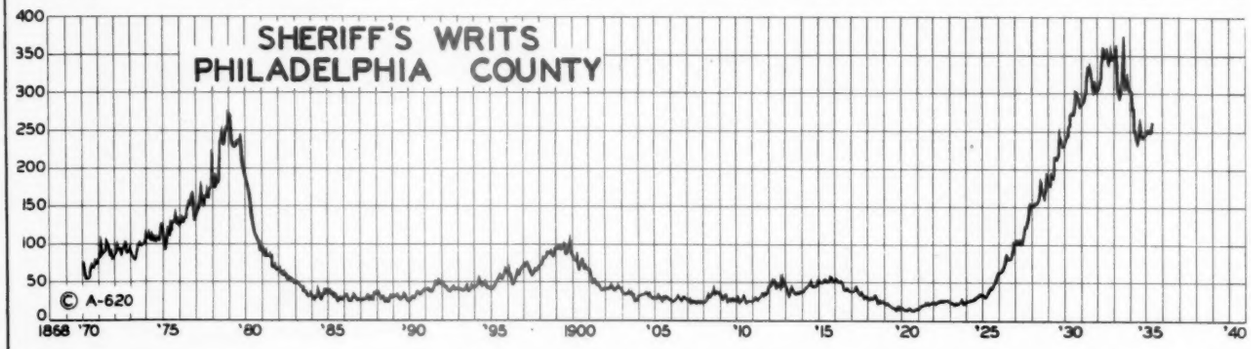
ADVERTISED RENTALS ON DWELLING UNITS

THE Real Estate Analyst computes the average advertised rentals of residential units of various types and sizes each month in the twenty-five metropolitan cities listed below. The figures given are average rentals per month per room for all units of each type, large and small, advertised in the classified columns of the leading newspapers of each city. The lines show for each city the relative change for the last three months. The heavy black lines at the bottom show the composite for all cities.

It is to be expected that the average of all places advertised for rent will vary considerably from month to month due to the inclusion some months of a larger number of either high or low priced units. However, the surprising thing is not these occasional "freakish" swings but the regular rises and falls shown by these figures over a period of months or years. That the trend is definitely up in most cities is clearly indicated by the figures below. These figures will be carried each month in the Real Estate Analyst.

CITY	SINGLE FAMILY				APARTMENTS			
	Jan.	Feb.	Mar.	Apr.	Jan.	Feb.	Mar.	Apr.
Atlanta	$ 5.66	$ 5.74	$ 5.56	$ 6.14	$ 8.42	$ 9.80	$ 9.90	$ 9.65
Baltimore	4.86	4.98	5.19	5.51	10.83	11.27	12.09	12.23
Birmingham	4.43	4.43	4.57	4.85	8.36	8.62	8.63	8.38
Boston	6.04	6.65	6.70	6.85	9.55	11.75	11.36	11.16
Chicago	7.99	8.59	9.86	10.34	11.68	12.32	11.86	11.79
Cincinnati	7.66	7.33	7.33	7.35	10.70	10.82	10.67	10.30
Cleveland	6.93	6.64	7.34	7.29	8.43	9.24	9.84	9.84
Columbus	5.31	5.17	4.35	4.35	9.01	9.09	8.89	9.22
Denver	4.89	4.78	4.72	4.75	9.70	9.88	10.08	10.14
Detroit	5.73	6.02	6.60	7.67	9.60	10.08	10.47	10.37
Houston	6.44	6.53	6.69	6.96	8.68	8.38	8.63	8.66
Los Angeles	8.43	8.52	8.33	8.29	10.23	9.76	10.38	11.18
Milwaukee	6.94	7.60	8.21	8.58	9.32	9.70	9.97	9.83
Minneapolis	4.89	4.97	5.19	5.39	8.89	9.09	9.17	8.81
New Orleans	4.87	4.79	4.70	4.65	8.23	8.22	8.73	8.21
New York	12.20	12.28	13.25	13.32	17.29	16.87	16.41	16.77
Omaha	4.69	4.86	5.13	5.73	10.30	10.29	10.33	10.18
Philadelphia	5.38	5.58	5.76	5.58	13.66	14.57	14.61	14.22
Pittsburgh	6.29	6.72	7.28	7.67	8.81	9.43	9.88	10.21
Richmond	5.82	5.50	5.42	5.80	-	9.56	9.57	9.99
Saint Louis	5.69	5.64	5.89	5.97	8.62	8.66	8.76	9.07
Salt Lake City	4.44	4.39	4.66	4.90	9.22	9.08	9.20	8.99
San Francisco	7.15	6.50	6.62	6.78	11.36	10.92	10.67	10.78
Seattle	5.02	4.97	5.33	5.28	10.10	10.24	10.21	10.05
Tulsa	5.85	5.97	5.77	5.68				

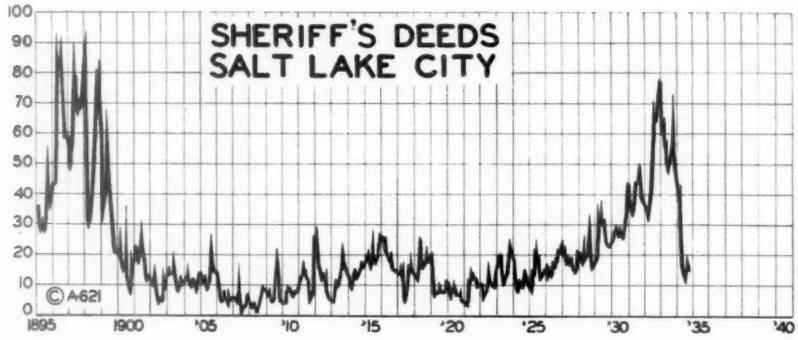


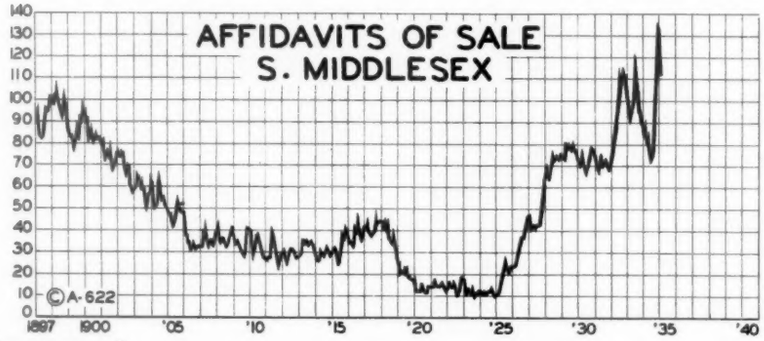


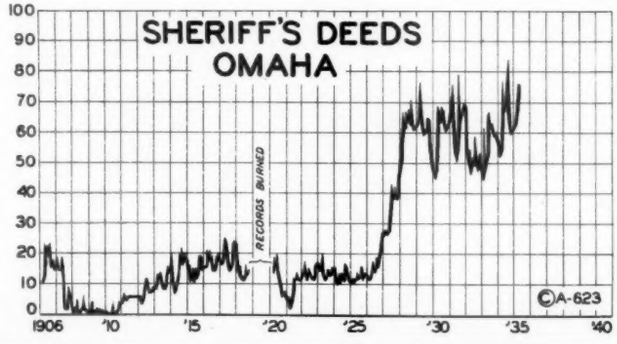
FOR many months we have been trying to work out some method of constructing an index of foreclosures for the United States. The difficulties in the way are great due to varying state laws governing foreclosure, and to special moratorium legislation in some states preventing foreclosure entirely in a large percentage of cases.

While we do not yet feel competent to prepare such a national index, we are showing on the accompanying charts some comparisons of measures of real estate distress in various cities. In each case the data are figured per hundred thousand families.

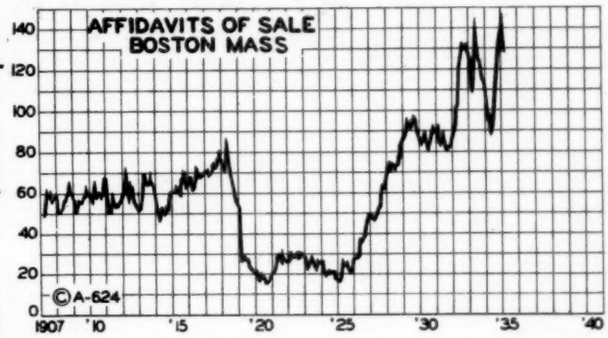
The foreclosure rate in Saint Louis is based on the number of trustee's sales per month per hundred thousand families in the city and county. Title can be secured





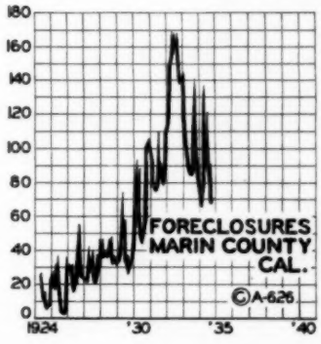


in Missouri twenty-one days after default at an expense quite frequently less than $100. There are no moratorium laws in Missouri. For these reasons we think the Saint Louis index is one of the most sensitive changes in distress conditions.



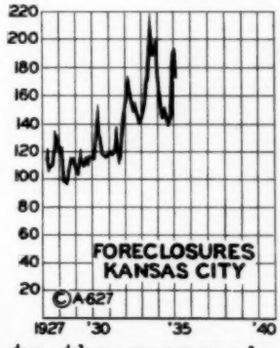
In Philadelphia the only record we have been able to get for a long period of years is the number of sheriff's sales advertised. All of these sales did not take place as some mortgagees pay up between the date of the advertisement and the date of sale. This makes the rate higher than it would otherwise be. The same general characteristics, however, are present in this curve with the rate in the depressions of the Seventies and the present extremely high, and the intermediate periods relatively lower.

The chart of sheriff's deeds in Salt Lake City is unusually interesting due to the high foreclosure rate during the depression of the Nineties. We are trying to investigate the cause of the unusual amount of distress at that time but so far do not have sufficient data to justify an opinion.



South Middlesex county, Massachusetts, comprises a large part of metropolitan Boston. It will be noticed that in this area foreclosures were considerably higher in the present depression than they were in the Nineties. Probably because of war activity foreclosures were relatively low during the war.

The chart for Omaha shows sheriff's deeds. As the sheriff's deed is not given until after the period of redemption expires, we would naturally find some lag in a chart of this sort in comparison with actual distress conditions. This fact accounts for the fact that sheriff's deeds are still at about the peak in Omaha.

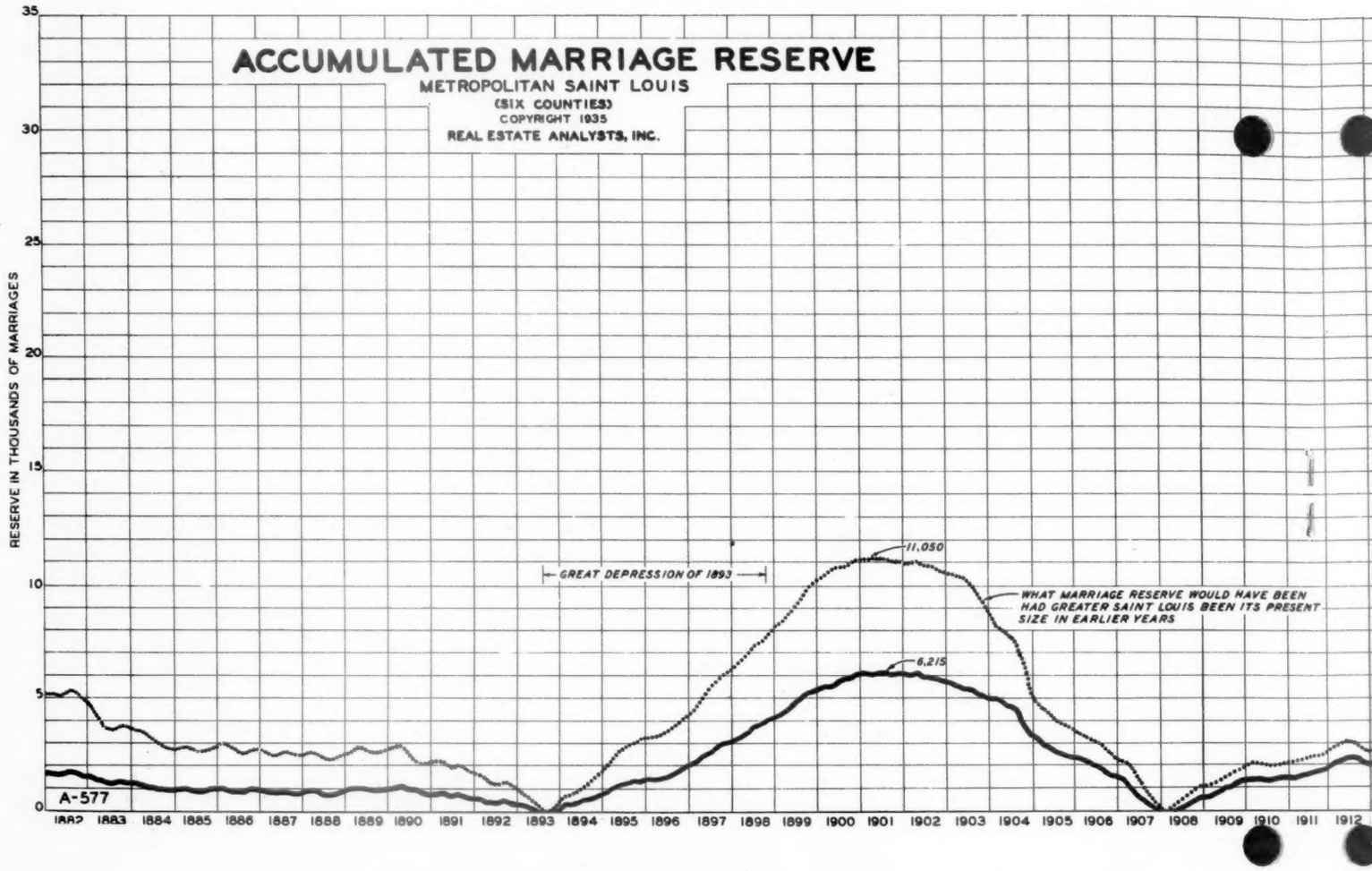


Our chart for Boston proper shows foreclosures still relatively high. The drop during 1933 and 1934 was due to the activity of the HOLC. The recent peak is due to the suspension of its activity.

Allegheny county, Pennsylvania, comprises the greater part of metropolitan Pittsburgh. It seems as if sheriff's sales in that area have passed the peak.

Marin county, California, comprises a portion of the suburban developments in metropolitan San Francisco. Foreclosures in this territory seem to be well past the peak.

Continued on page 403


ACCUMULATED MARRIAGE RESERVE
METROPOLITAN SAINT LOUIS
(SIX COUNTIES)
COPYRIGHT 1935
REAL ESTATE ANALYSTS, INC.
RESERVE IN THOUSANDS OF MARRIAGES
35
30
25
20
15
10
5
0
GREAT DEPRESSION OF 1893
11,050
6,215
WHAT MARRIAGE RESERVE WOULD HAVE BEEN HAD GREATER SAINT LOUIS BEEN ITS PRESENT SIZE IN EARLIER YEARS
A-577
1882 1883 1884 1885 1886 1887 1888 1889 1890 1891 1892 1893 1894 1895 1896 1897 1898 1899 1900 1901 1902 1903 1904 1905 1906 1907 1908 1909 1910 1911 1912

THE MARRIAGE RESERVE

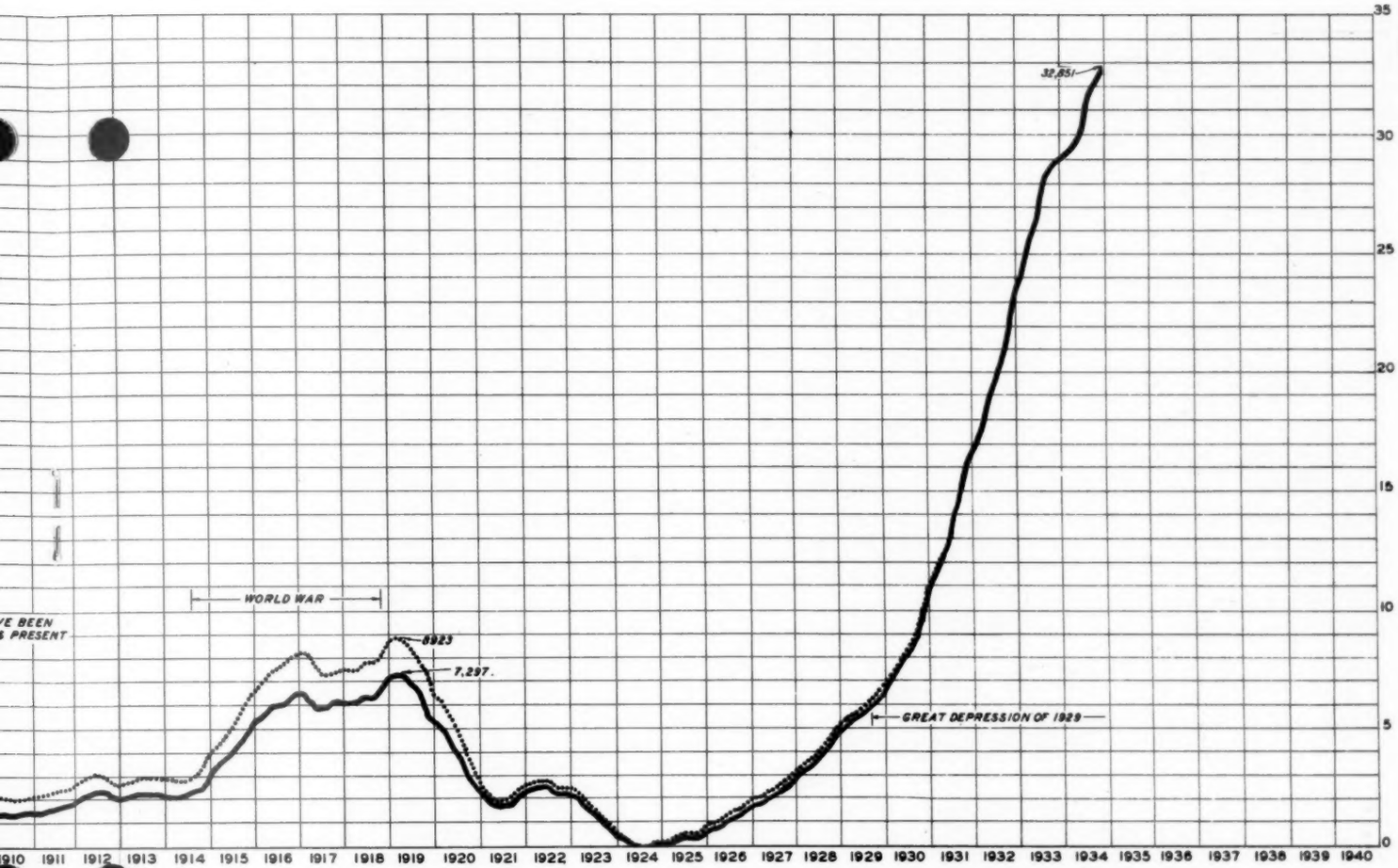
IN June, 1932 and again in April and August of 1934 we published studies of the effect of the marriage rate on real estate. In April, 1934 we first printed the chart shown above. There has been an insistent demand on the part of many of our clients for a reprinting of this chart brought up to date. For those not having copies of our earlier studies, we will give a brief resume of the significant facts these studies developed.

I. The marriage rate varies greatly in different periods of the major business cycle.

II. Dissolutions of marriage are practically constant year in and year out depending on two factors only--deaths of married persons and the divorce rate. Neither of these factors is greatly affected by the major business cycle.

III. In a period of prosperity more families are created by the high marriage rate than are dissolved by the fairly constant death and divorce rates, but in a period of major depression more families are dissolved by death or divorce than are created by new marriages, resulting in a rather rapid contraction in the number of separate units. This contributes to the excessive vacancy which is current during these periods.

IV. The number of married persons in our population as a percent-



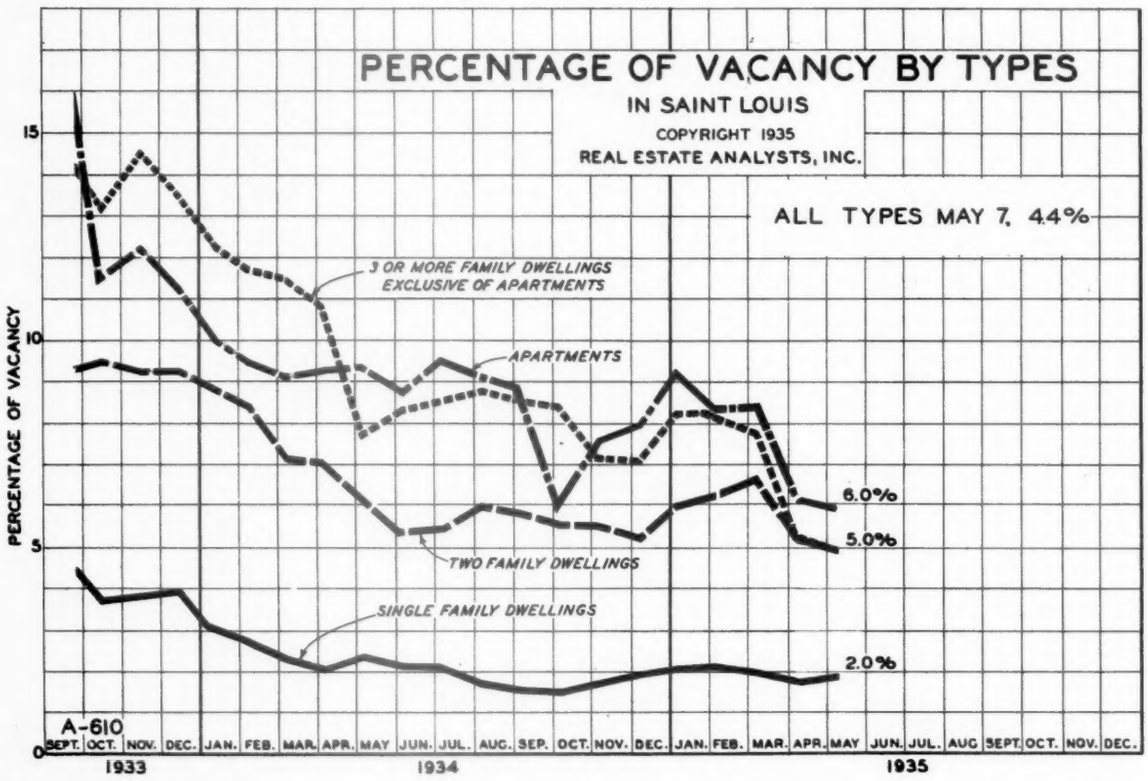
LIBRARY UNIVERSITY OF MO

age of the persons of marriageable age has shown a tendency to rise and fall about a normal which has now been maintained for the entire period for which records are available (more than fifty years).

V. When the marriage rate is below normal during periods of depression, a "reserve" of unmarried persons is built up in the population. After the depressions of the past, the marriage rate has exceeded normal until the percentage of married persons to persons of marriageable age was back at the accustomed level, using up the "reserve" built during the depression.

VI. The chart above shows this "reserve", not of individuals but of couples. This would indicate that in Greater Saint Louis this "reserve" has now passed thirty-two thousand; or in other words, it would indicate that during the next ten years we can expect the marriage rate to not only return to normal but to exceed normal by an amount sufficient to produce that many marriages above the normal number. This has been the case each time in the past and has been the biggest contributing factor to the building booms which followed.

In most cities at the present time the accumulated "reserve" can be computed at slightly more than twice the total number of marriages for last year. The marriage rate is now increasing but has not yet passed the normal line. (For greater details on the effect of the marriage rate on real estate, see the studies referred to at the beginning of this article.)



DURING May the absorption of residential vacancy in Saint Louis continued at a rate much below the preceding month. A glance at the chart above or the table below will show how great the absorption has been in each type of unit during the past year.

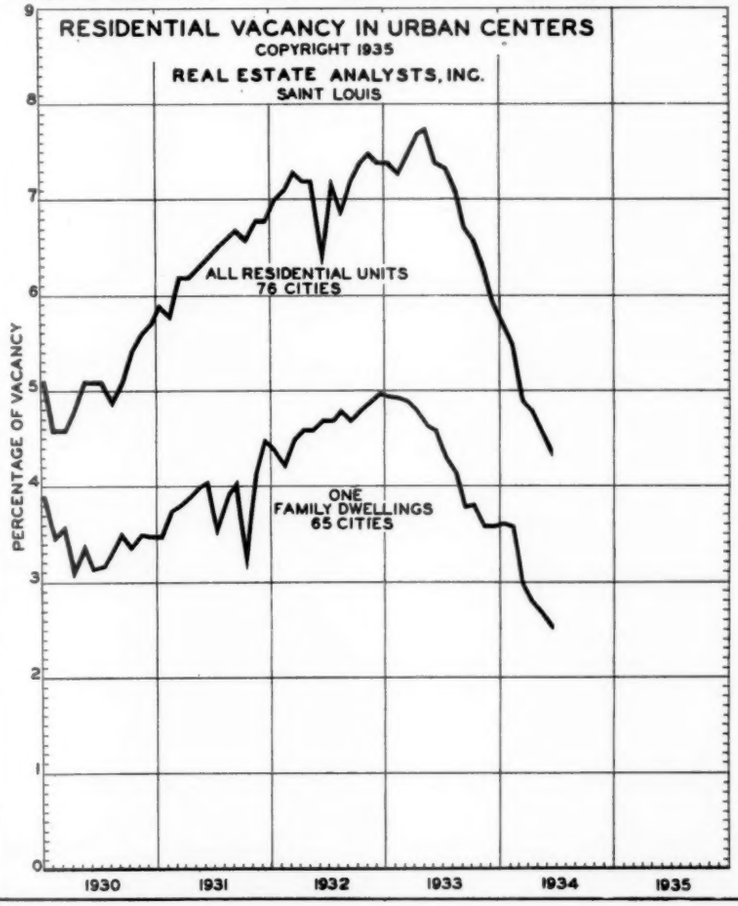
Month	Vacancy	%	Absorption
November '32	28,207	12.8	
September '33	23,354	10.4	894
October	22,460	10.0	2,010
November	20,450	9.1	-900
December	21,350	9.5	1,102
January '34	20,248	9.1	1,598
February	18,650	8.3	1,100
March	17,550	7.8	900
April	16,650	7.4	1,950
May	14,700	7.5	1,200
June	13,500	6.0	-500
July	14,000	6.3	0
August	14,000	6.3	400
September	13,600	6.1	1,100
October	12,500	5.6	400
November	12,100	5.4	0
December	12,100	5.4	-1800
January '35	13,900	6.2	0
February	13,900	6.2	300
March	13,600	6.1	3,670
April	9,930	4.5	180
May	9,750	4.4	
Absorption since November, 1932			18,455

RESIDENTIAL VACANCY IN URBAN CENTERS

THE Division of Economics and Statistics of the Federal Housing Administration has assembled vacancy surveys from seventy-three cities for the period 1930-1934. Unfortunately, the making of vacancy surveys is not a standardized procedure. In some cities the work has been done with great care; in others, the results are only approximately accurate. With these limitations in mind, we have prepared the chart below from the figures compiled by that Division on individual cities. It shows, in so far as it is possible, the condition prevailing in urban areas for the United States during this period.

It is quite interesting that the general characteristics of this chart and the ones we have printed on individual cities are very similar. In all cities vacancy increased very rapidly after the stock market crash and reached its peak about the time of the bank collapse. Since that time the absorption of vacancy has been very rapid. It is unfortunate that this chart cannot be completed to date, but there are insufficient data now available for the past year. We are confident that, were it possible to continue the national vacancy lines on these charts to the present, a vacancy of three per cent or less would be indicated for the total, with less than two per cent vacancy in one-family dwellings.

The fact that vacancy was increasing rapidly during the period when no new building was being done is conclusive proof that the excessive vacancy of two years ago was caused primarily by a contraction of space requirements. The remarkable absorption since then is due to a re-expanding of this demand.



The housing shortage predicted for 1935 or 1936 by Real Estate Analysts more than a year ago is developing rapidly. We have every reason to believe that it will surpass in acuteness the shortage of 1919-1920 when advertisements appeared in metropolitan papers offering sizable rewards for information resulting in the locating of suitable living quarters. This will cause residential rentals to skyrocket.

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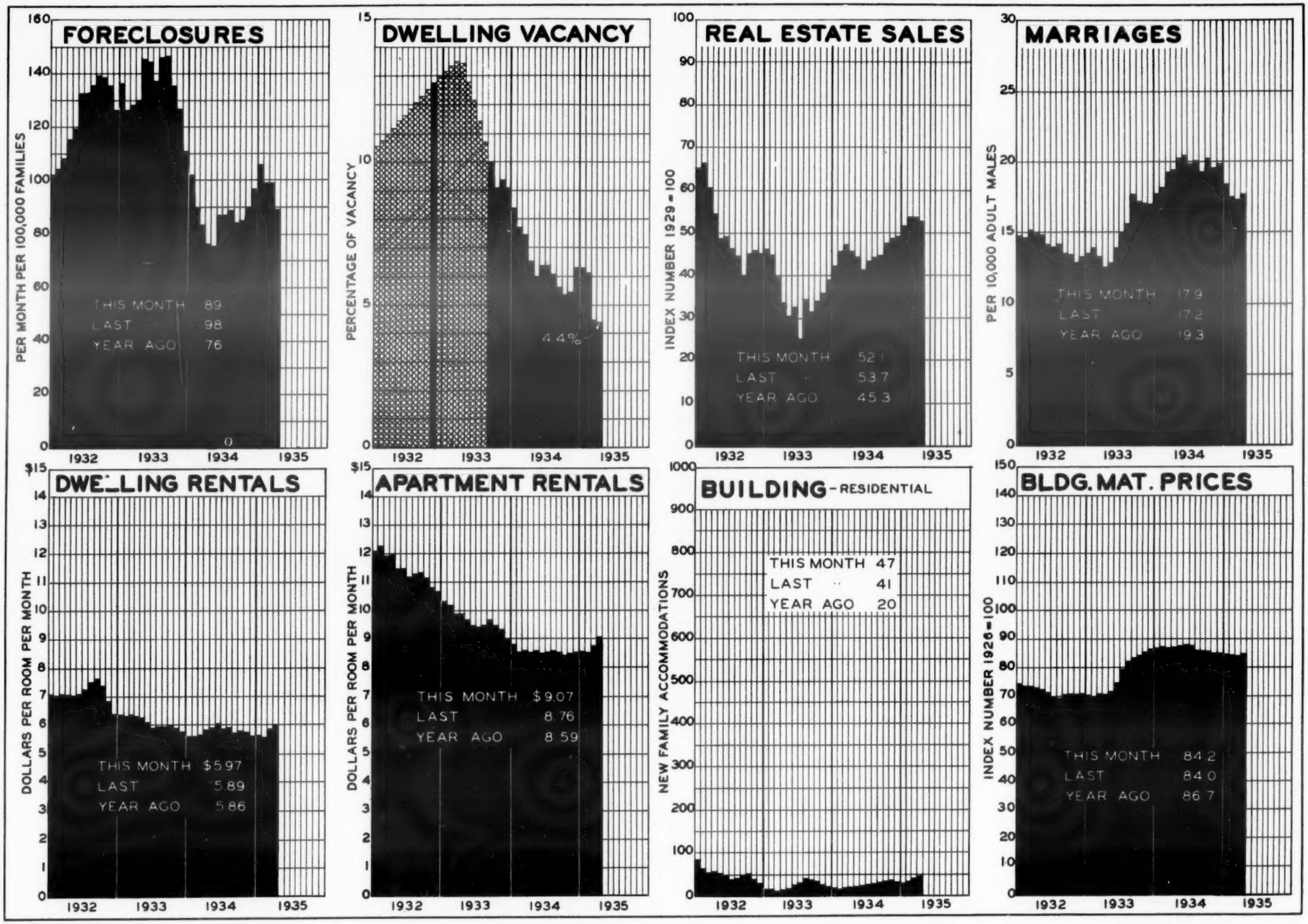

FORECLOSURES
PER MONTH PER 100,000 FAMILIES
THIS MONTH 89
LAST 98
YEAR AGO 76
0
DWELLING VACANCY
PERCENTAGE OF VACANCY
4.4%
REAL ESTATE SALES
INDEX NUMBER 1929 = 100
THIS MONTH 52.1
LAST 53.7
YEAR AGO 45.3
MARRIAGES
PER 10,000 ADULT MALES
THIS MONTH 17.9
LAST 17.2
YEAR AGO 19.3
DWELLING RENTALS
DOLLARS PER ROOM PER MONTH
THIS MONTH $5.97
LAST 5.89
YEAR AGO 5.86
APARTMENT RENTALS
DOLLARS PER ROOM PER MONTH
THIS MONTH $9.07
LAST 8.76
YEAR AGO 8.59
BUILDING - RESIDENTIAL
NEW FAMILY ACCOMMODATIONS
THIS MONTH 47
LAST 41
YEAR AGO 20
BLDG. MAT. PRICES
INDEX NUMBER 1926 = 100
THIS MONTH 84.2
LAST 84.0
YEAR AGO 86.7
1932
1933
1934
1935

(Continued from page 394)

FORECLOSURES That foreclosures are past the peak is quite apparent from the charts on pages 396 and 397 in this issue. We believe that the foreclosure rate will fall rapidly during the latter part of this year.

(Continued from page 397)

Foreclosures in Kansas City reached their peak at about the same time that it was reached in Saint Louis. The reaction from the suspension of HOLC activity has been sharper there than it has been in Saint Louis.

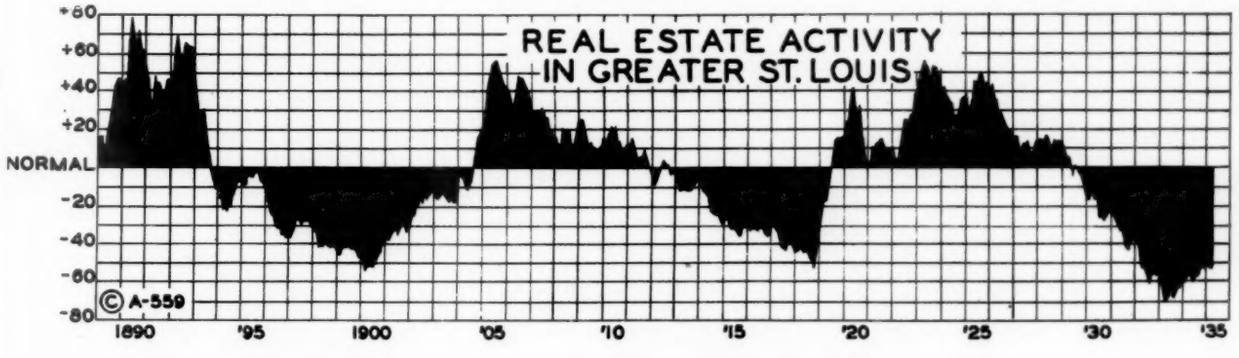
We will continue to study the foreclosure situation in each of the principal metropolitan areas of the United States. As long as foreclosures remain relatively high, unusual buying opportunities will present themselves to the alert investor. The longer foreclosures remain high, the longer the present buying period for real estate will last. As soon as they drop radically, the period for buying for the greatest profit will be past.

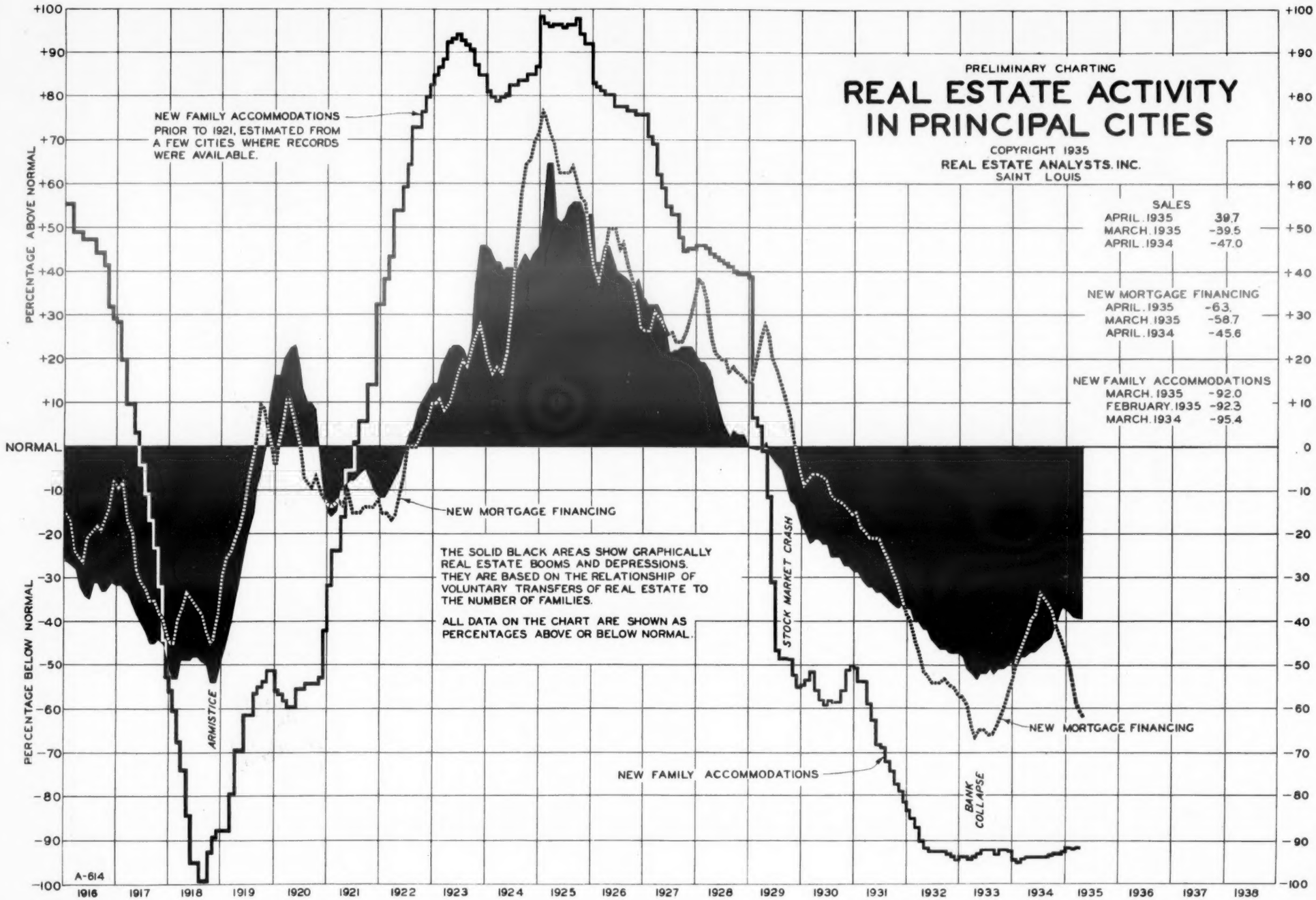
REAL ESTATE ACTIVITY

THE chart on the back page of this issue is based on figures received regularly by air mail from twenty-four metropolitan areas comprising in all, one hundred seventy-five cities of from five thousand to more than three million population. The black areas indicate booms and depressions as measured by brokerage activity. The dotted line shows the fluctuations in the number of new mortgages recorded; and the black line, the fluctuations in the number of new family accommodations provided by all new building. All data on the chart are shown as percentages above or below normal.

It should be kept in mind that the cycles shown on this chart have been continuing in fairly regular sequence for at least a hundred years. (See article and chart on page 372 in the March, 1935 Real Estate Analyst.) The cycles of real estate activity as they have occurred in Saint Louis during the past forty-six years are shown in the chart below.

The charts on the opposite page, with the exception of the one on building material prices, show the various factors we are studying in Greater Saint Louis. A precise study which is constantly made of all factors affecting real estate in a single representative community is often of greater value in determining the sequence of events in collapse and recovery than a general study of the entire country




PRELIMINARY CHARTING
REAL ESTATE ACTIVITY
IN PRINCIPAL CITIES
COPYRIGHT 1935
REAL ESTATE ANALYSTS, INC.
SAINT LOUIS
NEW FAMILY ACCOMMODATIONS PRIOR TO 1921, ESTIMATED FROM A FEW CITIES WHERE RECORDS WERE AVAILABLE.
SALES
APRIL. 1935 39.7
MARCH. 1935 -39.5
APRIL. 1934 -47.0
NEW MORTGAGE FINANCING
APRIL. 1935 -63.
MARCH. 1935 -58.7
APRIL. 1934 -45.6
NEW FAMILY ACCOMMODATIONS
MARCH. 1935 -92.0
FEBRUARY. 1935 -92.3
MARCH. 1934 -95.4
PERCENTAGE ABOVE NORMAL
PERCENTAGE BELOW NORMAL
+100
+90
+80
+70
+60
+50
+40
+30
+20
+10
NORMAL
-10
-20
-30
-40
-50
-60
-70
-80
-90
-100
NEW MORTGAGE FINANCING
THE SOLID BLACK AREAS SHOW GRAPHICALLY REAL ESTATE BOOMS AND DEPRESSIONS. THEY ARE BASED ON THE RELATIONSHIP OF VOLUNTARY TRANSFERS OF REAL ESTATE TO THE NUMBER OF FAMILIES.
ALL DATA ON THE CHART ARE SHOWN AS PERCENTAGES ABOVE OR BELOW NORMAL.
ARMISTICE
STOCK MARKET CRASH
BANK COLLAPSE
NEW MORTGAGE FINANCING
NEW FAMILY ACCOMMODATIONS
A-614
1916
1917
1918
1919
1920
1921
1922
1923
1924
1925
1926
1927
1928
1929
1930
1931
1932
1933
1934
1935
1936
1937
1938